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OMB APPROVAL
OMB Number: 3235-0123
Expires: April 30, 2013
Estimated average burden hours per response . . . 12.00

FEB 12 2013 ANNUAL AUDITED REPORT
Washington DC
401
FORM X-17A-5
PART III
FACING PAGE

SEC FILE NUMBER
8-48587

Information Required of Brokers and Dealers Pursuant to Section 17 of the
Securities Exchange Act of 1934 and Rule 17a-5 Thereunder

REPORT FOR THE PERIOD BEGINNING 01/01/12 AND ENDING 12/31/12
MM/DD/YY MM/DD/YY

A. REGISTRANT IDENTIFICATION

NAME OF BROKER - DEALER:

KUN-LUN DEVELOPMENT CORPORATION

ADDRESS OF PRINCIPAL PLACE OF BUSINESS: (Do not use P. O. Box No.)

435 Kingston Drive

(No. and Street)

Danville

(City)

California

(State)

94506

(Zip Code)

NAME AND TELEPHONE NUMBER OF PERSON TO CONTACT IN REGARD TO THIS REPORT

Gilbert Kuo - President

(510) 661-0260

(Area Code - Telephone No.)

B. ACCOUNTANT IDENTIFICATION

INDEPENDENT PUBLIC ACCOUNTANT whose opinion is contained in this Report*

VB&T Certified Public Accountants, PLLC

(Name - if individual, state last, first, middle name)

250 West 57TH Street, Suite 1632

(Address)

New York
(City)

New York
(State)

10107

(Zip Code)

CHECK ONE:

- ☒ Certified Public Accountant
☐ Public Accountant
☐ Accountant not resident in United States or any of its possessions.

FOR OFFICIAL USE ONLY

*Claims for exemption from the requirement that the annual report be covered by the opinion of an independent public accountant must be supported by a statement of facts and circumstances relied on as the basis for the exemption. See section 240.17a-5(e)(2).

SEC 1410 (06-02)

2/13/13

OATH OR AFFIRMATION

I, Gilbert Kuo - President, swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statements and supporting schedules pertaining to the firm of Kun-Lun Development Corporation, (Company), as of December 31, 2012, are true and correct. I further swear (or affirm) that neither the Company nor any partner, proprietor, principal officer or director has any proprietary interest in any account classified solely as that of a customer, except as follows:


Gilbert Kuo - President

Sworn and subscribed to before me this 4th day of February, 2013.

This report contains (check all applicable boxes):

	Page
Independent Certified Public Accountants' Report.	1
(x) (a) Facing page.	
(x) (b) Balance Sheet.	2
(x) (c) Statement of Operations.	3
(x) (d) Statement of Cash Flows.	4
(x) (e) Statement of Changes in Stockholder's Equity.	5
() (f) Statement of Changes in Subordinated Liabilities (not applicable).	
(x) Notes to Financial Statements.	6 - 9
(x) (g) Computation of Net Capital for Brokers and Dealers Pursuant to Rule 15c3-1 under the Securities Exchange Act of 1934.	10
() (h) Computation for Determination of Reserve Requirements for Brokers and Dealers Pursuant to Rule 15c3-3 under the Securities Exchange Act of 1934.	
() (i) Information Relating to the Possession or Control Requirements for Brokers and Dealers Pursuant to Rule 15c3-3 under the Securities Exchange Act of 1934 (not applicable).	
() (j) A Reconciliation, including Appropriate Explanations, of the Computation of Net Capital Under Rule 15c3-1 and the Computation for Determination of the Reserve Requirements Under Rule 15c3-3 (not required).	
() (k) A Reconciliation Between the Audited and Unaudited Consolidated Statements of Financial Condition With Respect to Methods of Consolidation (not applicable).	
(x) (l) An Affirmation.	
() (m) A Copy of the SIPC Supplemental Report (not required).	
(x) (n) A report describing any material inadequacies found to exist or found to have existed since the date of the previous audit (Supplemental Report on Internal Control).	11 - 12

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KUN-LUN DEVELOPMENT CORPORATION

(SEC I.D. No. 8-48587)

FINANCIAL STATEMENTS AND

SUPPLEMENTAL SCHEDULE

FOR THE YEAR ENDED DECEMBER 31, 2012

AND

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

AND

SUPPLEMENTAL REPORT ON INTERNAL CONTROL

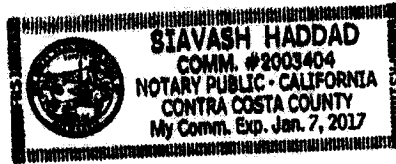
JURAT

State of California

County of Contra Costa

Subscribed and sworn to (or affirmed) before me on this 4th day of Feb,
2013, by GILBERT KUO, proved to me
on the basis of satisfactory evidence to be the person~~(s)~~ who appeared before me.

WITNESS my hand and official seal.



Signature

Stavash Haddad

VB&T

Certified Public Accountants, PLLC

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors of
Kun-Lun Development Corporation

We have audited the accompanying balance sheet of Kun-Lun Development Corporation as of December 31, 2012, and the related statements of operations, changes in stockholder's equity, and cash flows for the year then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Kun-Lun Development Corporation at December 31, 2012, and the results of its operations, changes in stockholder's equity, and cash flows for the year then ended in conformity with U.S. generally accepted accounting principles.

Our audit was made for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information contained on page 10 is presented for purposes of additional analysis and is not a required part of the basic financial statements, but is supplementary information required by Rule 17a-5 of the Securities and Exchange Commission. Such information has been subjected to the auditing procedures applied in the examination of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

VB&T CERTIFIED PUBLIC ACCOUNTANTS, PLLC

New York, NY
January 31, 2013

Registered with the Public Company Accounting Oversight Board

KUN-LUN DEVELOPMENT CORPORATION
BALANCE SHEET
DECEMBER 31, 2012

ASSETS

Cash	\$ 1,036
Deposit at clearing broker	53,325
Securities owned, at fair value	285,520
Receivables	277
Prepaid expense	540
Furniture & office equipment, net	11,495
Total Assets	<u>\$ 352,193</u>

LIABILITIES AND STOCKHOLDER'S EQUITY

Liabilities:

Accounts payable	\$ 3,757
Payable to clearing broker	83,923
Loan payable	11,223
Deferred tax liabilities	44,436
Total Liabilities	<u>143,339</u>

Contingencies -

Stockholder's Equity:

Common stock - no par value	
50,000,000 shares authorized,	
6,300,000 shares issued and outstanding	600,000
Accumulated (deficit)	(457,800)
Accumulated other comprehensive income	66,654
Total Stockholder's Equity	<u>208,854</u>
Total Liabilities and Stockholder's Equity	<u>\$ 352,193</u>

See Independent Accountants' Report and Accompanying Notes

KUN-LUN DEVELOPMENT CORPORATION
STATEMENT OF OPERATIONS
FOR THE YEAR ENDED DECEMBER 31, 2012

Revenues:

Commissions	\$ 13,091
Interest and dividend income	9,895
Other income	197
Realized gain on securities sold	33,802
Total revenues	<u>56,985</u>

Costs and Expenses:

Insurance	20,078
Professional	5,000
Commission	10,484
Travel & entertainment	7,399
Computer	6,229
Clearing	2,740
Interest	3,634
Telephone	3,612
Automobile	967
Regulatory	1,149
Office	1,596
Taxes	1,309
Depreciation	5,414
Total costs and expenses	<u>69,611</u>

Net loss (12,626)

Other comprehensive loss:

Unrealized loss on securities	(32,456)
Deferred income taxes	12,982
Total other comprehensive loss:	<u>(19,474)</u>

Total comprehensive loss \$ (32,100)

See Independent Accountants' Report and Accompanying Notes

KUN-LUN DEVELOPMENT CORPORATION
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2012

Cash Flows From Operating Activities:	
Net loss	\$ (12,626)
Adjustment to reconcile net income to net cash (used) by operating activities:	
Depreciation	5,414
Total comprehensive loss	(19,474)
Changes in operating assets and liabilities:	
Decrease in receivables	190
(Increase) in clearing deposits	(9)
(Increase) in prepaid expense	(540)
Increase in accounts payable	1,058
(Decrease) in payable to clearing broker	(35,633)
(Decrease) in loan payable	(4,789)
(Decrease) in deferred tax liability	(12,982)
Net cash (used) by operating activities	<u>(79,391)</u>
Cash flows from investing activities:	
Cost of securities purchased	<u>73,465</u>
Net cash provided by investing activities	73,465
Cash flows from financing activities:	
	-
Net decrease in cash	<u>(5,926)</u>
Cash at beginning of year	<u>6,962</u>
Cash at end of year	<u>\$ 1,036</u>

See Independent Accountants' Report and Accompanying Notes

KUN-LUN DEVELOPMENT CORPORATION
STATEMENT OF CHANGES IN STOCKHOLDER'S EQUITY
FOR THE YEAR ENDED DECEMBER 31, 2012

	Common Stock	Accumulated (deficit)	Accumulated Other Comprehensive Income	Total Stockholder's Equity
Balances, January 1, 2012	\$ 600,000	\$ (445,173)	86,127	\$ 240,954
Net loss	-	(12,626)	-	(12,626)
Other comprehensive loss:	-	-	(19,474)	(19,474)
Balances, December 31, 2012	<u>\$ 600,000</u>	<u>\$ (457,800)</u>	<u>66,654</u>	<u>\$ 208,854</u>

See Independent Accountants' Report and Accompanying Notes

KUN-LUN DEVELOPMENT CORPORATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2012

1. ORGANIZATION AND NATURE OF BUSINESS

Kun-Lun Development Corporation (the "Company") is a California company formed in 1995 as a broker-dealer in securities transactions under the Securities Exchange Act of 1934. The Company is registered with the Securities and Exchange Commission (SEC) and is a member of the Financial Industry Regulatory Authority (FINRA). Securities transactions are cleared through Southwest Securities, Inc. on a fully disclosed basis. The Company has adopted December 31 as its year end.

The Company clears all of its transactions through security clearing brokers. The Company acts as a broker-dealer and is exempt from Securities and Exchange Commission Rule 15c3-3 under paragraph k(2)(ii) since it uses other security firms for clearing.

Pursuant to agreements between the Company and Southwest Securities Inc. (SSI), all securities transactions of the Company are cleared and its customers are introduced and cleared on a fully disclosed basis. The Company is exempt from provisions of Rule 15c3-3 and is not responsible for compliance with Section 4(c) of Regulation T of the Board of Governors of the Federal Reserve System, as all customers' accounts, as defined by such rules, are carried by SSI.

2. SIGNIFICANT ACCOUNTING POLICIES

Cash

Cash consists of demand deposits with a commercial bank which at times may exceed federally insured limits. The Company has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on cash balances.

Comprehensive Income

The Company complies with FASB ASC 220-10-45-3 and 45-5 (formerly SFAS No. 130. Reporting Comprehensive Income, Paragraphs 9 and 14) which requires comprehensive income to be reported when a company presents a full set of financial statements that report financial position, results of operations, and cash flows. Comprehensive income refers to net income plus other comprehensive income that are reported as separate components of stockholder's equity. The Company complies with the rules for the reporting and disclosure of comprehensive income (loss) in the unrealized gain (loss) to be included in other comprehensive income (loss).

Investments Available for Sale

Investments available for sale consist of equity securities not classified as trading securities or as held-to-maturity securities and not mortgage-backed securities. Unrealized holding gains and losses, net of tax, on investments available for sale are reported as a net amount as a separate component of stockholders' equity as comprehensive income, until realized. At December 31, 2012 the fair value of investments available for sale amounted to \$285,520.

KUN-LUN DEVELOPMENT CORPORATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2012

Revenue Recognition

The Company's financial statements are prepared using the accrual method of accounting.

Commission revenue and related expenses arising from securities transactions are recorded on a settlement-date basis. Revenue and expenses recognized on a settlement-date basis are not materially different from a trade-date basis.

Clearing Deposit

Under the Company's clearing agreement, a good faith deposit of \$50,000 is required to be held with the clearing broker. The Company clears its transactions through Southwest Securities; there is \$53,325 clearing deposit at December 31, 2012.

Property, plant, and equipment

The Company owns office furniture, computer systems, and a BMW vehicle, recorded at cost, net of accumulated depreciation. Depreciation is computed under the straight-line method over their estimated useful lives of 5 to 7 years. Total accumulated depreciation at December 31, 2012 was \$114,226.

Income Taxes

Income taxes are provided for the tax effects of transactions reported in the financial statements and consist of taxes currently due and deferred taxes. Deferred taxes are recognized for differences between the basis of assets and liabilities for financial statements and income tax purposes as proscribed by FASB ASC 740-10-1 through 25, (formerly SFAS No. 109), "Accounting for Income Taxes". Under the asset and liability method, deferred tax assets and liabilities are recognized for the future tax consequences attributable to the differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases, losses and tax credit carry-forwards.

The Company's accounting policy for valuating uncertain tax positions during the financial statement periods is based on the recognition and disclosure contingencies under FASB ASC 420-10-1 (formerly SFAS No. 5, "Accounting for Contingencies").

KUN-LUN DEVELOPMENT CORPORATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2012

Use of Estimates

The financial statements are presented in accordance with generally accepted accounting principles and prevailing industry practices, both of which require management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at December 31, 2012, as well as the reported amounts of revenues and expenses during the year then ended. Estimates, by their nature, are based on judgment and available information. Management believes that the estimates utilized in the preparation of the financial statements are prudent and reasonable. Actual results could differ from those estimates.

Fair Value Measurement

Securities owned are presented at fair value. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. In determining fair value, the Company is in compliance with FASB ASC 820-5-1 (formerly SFAS No. 157) In determining the value of monetary assets. Since the only assets of the Company, to which FASB ASC 820-5-1 might apply are marketable securities and these securities have readily attainable published values.

3. NET CAPITAL REQUIREMENTS

The Company is a member of the FINRA and subject to the Securities and Exchange Commission's Uniform Net Capital Rule (Rule 15c3-1), which requires the maintenance of minimum net capital of \$100,000 and requires the ratio of aggregate indebtedness to net capital, both as defined, shall not exceed 15 to 1. At December 31, 2012 the Company had net capital of \$151,426, which was \$51,426 in excess of the FINRA minimum capital requirement.

4. CONTINGENCIES

In the normal course of business, the Company is engaged in various trading and brokerage activities on a principal and agency basis through a clearing broker. In connection with these activities, a customer's unsettled transactions may expose the Company to off-balance-sheet risk in the event the customer is unable to fulfill its contractual obligations. Significant credit exposure may result in the event that the Company's clearing broker is unable to fulfill their contractual obligation. The Company seeks to control off-balance-sheet credit risk by monitoring its customers' transactions and reviewing information it receives from its clearing broker on a daily basis.

**KUN-LUN DEVELOPMENT CORPORATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2012**

5. PAYABLE TO CLEARING BROKER

The payable to the clearing broker of \$83,923 is for margin loans collateralized by securities owned.

6. INSTALLMENT LOANS

On March 17, 2010, the Company purchased a 2007 BMW 328i coupe for \$24,111. The purchase was financed at an interest rate of 2.50%. Principal and interest are to be paid in 60 monthly installments of \$427.91.

7. RISK CONCENTRATION

At December 31, 2012, securities owned at fair value include 11,000 shares of Intel Corporation common stock (valued at \$226,820).

KUN-LUN DEVELOPMENT CORPORATION
COMPUTATION OF NET CAPITAL UNDER RULE 15c3-1 OF THE
SECURITIES AND EXCHANGE COMMISSION
DECEMBER 31, 2012

NET CAPITAL:	
Total stockholder's equity	\$ 208,854
Deductions and/or charges:	
Non-allowable assets:	
Prepaid expense	(540)
Property and equipment, net	<u>(11,495)</u>
Other additions:	
Deferred taxes related to unrealized gains included in net capital	<u>30,054</u>
Net capital before haircuts on securities positions	<u>226,873</u>
Haircuts on securities positions	<u>(42,828)</u>
Undue concentration	<u>(32,619)</u>
Net Capital	<u><u>\$ 151,426</u></u>
AGGREGATE INDEBTEDNESS:	
Items included in the statement of financial condition:	
Accounts payable and accrued expenses	<u><u>\$ 14,980</u></u>
COMPUTATION OF BASIC NET CAPITAL REQUIREMENT:	
Minimum net capital required (6-2/3% of aggregate indebtedness)	<u>\$ 999</u>
Minimum net capital required	<u><u>\$ 100,000</u></u>
Excess net capital	<u><u>\$ 51,426</u></u>
Net capital less greater of 10% of total AI or 120% of minimum net capital	<u><u>\$ 31,426</u></u>
Percentage of aggregate indebtedness to net capital is	<u>10%</u>

The above computation does not differ materially from the December 31, 2012 computation of net capital filed electronically by the Company on FOCUS Form X-17A-5 Part IIA.

VB&T

Certified Public Accountants, PLLC

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM ON INTERNAL ACCOUNTING CONTROL REQUIRED BY SEC RULE 17a-5

To the Board of Directors of
Kun-Lun Development Corporation

In planning and performing our audit of the financial statements and supplementary information of Kun-Lun Development Corporation (the "Company") for the year ended December 31, 2012, we considered its internal control, including control activities for safeguarding securities, in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on internal control.

Also, as required by Rule 17a-5(g)(1) of the Securities Exchange Commission (the "Commission"), we have made a study of the practices and procedures followed by the Company including tests of such practices and procedures that we considered relevant to the objectives stated in Rule 17a-5(g) in making the periodic computations of aggregate indebtedness and net capital under Rule 17a-3(a)(11) and for determining compliance with the exemptive provisions of Rule 15c3-3. Because the Company does not carry securities accounts for customers or perform custodial functions relating to customer securities, we did not review the practices and procedures followed by the Company in any of the following: 1) Making quarterly securities examinations, counts, verifications and comparisons; 2) Recordation of differences required by Rule 17a-13, or, 3) Complying with the requirements for prompt payment for securities under Section 8 of Regulation T of the Board of Governors of the Federal Reserve System.

The management of the Company is responsible for establishing and maintaining a system of internal accounting control and the practices and procedures referred to in the preceding paragraph. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of controls and of the practices and procedures referred to in the preceding paragraph and to assess whether those practices and procedures can be expected to achieve the Commission's above-mentioned objectives. Two of the objectives of internal control and the practices and procedures are to provide management with reasonable but not absolute assurance that assets for which the Company has responsibility are safeguarded against loss from unauthorized use or disposition and transactions are executed in accordance

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Member of the American Institute of Certified Public Accountants**

with management's authorization and recorded properly to permit the preparation of financial statements in conformity with generally accepted accounting principles. Rule 17a-5(g) lists additional objectives of the practices and procedures listed in the preceding paragraph.

Because of inherent limitations in internal control or the practices and procedures referred to above, error or fraud may occur and not be detected. Also, projection of any evaluation of them to future periods is subject to the risk that they may become inadequate because of changes in conditions or that the effectiveness of their design and operation may deteriorate. Our consideration of internal control would not necessarily disclose all matters in internal control that might be material weaknesses under standards established by the American Institute of Certified Public Accountants. A material weakness is a condition in which the design or operation of the specific internal control components does not reduce to a relatively low level the risk that error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. However, we noted no matters involving internal control, including control activities for safeguarding securities that we consider to be material weaknesses as defined above.

We understand that practices and procedures that accomplish the objectives referred to in the second paragraph of this report are considered by the Commission to be adequate for its purposes in accordance with the Securities Exchange Act of 1934 and related regulations, and that practices and procedures that do not accomplish such objectives in all material respects indicate a material inadequacy for such purposes. Based on this understanding and on our study, we believe that the Company's practices and procedures were adequate at December 31, 2012, to meet the Commission's objectives.

This report is intended solely for the information and use of the Board of Directors, management, the Securities and Exchange Commission, the Financial Industry Regulatory Authority (FINRA), and other regulatory agencies that rely on Rule 17a-5(g) under the Securities Exchange Act of 1934 in their regulation of registered brokers and dealers, and is not intended to be and should not be used by anyone other than these specified parties.

VB&T CERTIFIED PUBLIC ACCOUNTANTS, PLLC

New York, NY
January 31, 2013

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